
Governmental Funds

General Fund

The General Fund accounts for transactions related to resources received and used for those services traditionally provided by a state government, which are not accounted for in any other fund.

Special Revenue Funds

Special Revenue Funds account for specific revenue sources that are restricted to finance particular functions and activities of the Commonwealth.

The Commonwealth Transportation Fund accounts for the revenues and expenditures associated with highway operations, maintenance, construction, and other transportation related activities. Funding for these programs is provided from highway user taxes, fees, and funds received from the Federal government.

The Federal Trust Fund accounts for all federal dollars received by the Commonwealth except those received by the Commonwealth Transportation Fund, the Unemployment Compensation Fund, and institutions of higher education. In addition, federal funds received from Medicaid intergovernmental transfers are reported in the Other – Special Revenue Fund. The entire fund is restricted pursuant to federal regulations. As such, a separate fund balance reservation is not reflected.

The Literary Fund accounts for revenues from fines, forfeitures, and proceeds from unclaimed property used primarily to support public education in the Commonwealth. This fund provides low interest loans to school divisions for construction, renovations, and expansion of school buildings. The entire fund is constitutionally restricted for public schools. As such, a separate fund balance reservation is not reflected.

Nonmajor Governmental Funds include those Special Revenue, Debt Service, Capital Projects and Permanent Funds listed on page 171 in the Combining and Individual Fund Statements and Schedules section of this report.

Balance Sheet – Governmental Funds

June 30, 2003

(Dollars in Thousands)

| | | Special Revenue | | |
|--|--------------|--------------------------------|------------------|------------|
| | General | Commonwealth Transportation | Federal Trust | Literary |
| Assets | | | | |
| Cash and Cash Equivalents (Notes 1 and 4) | \$ 269 | \$ 782,433 | \$ 203,012 | \$ 56,320 |
| Investments (Notes 1 and 4) | 714,678 | 518,498 | 1,822 | 5,814 |
| Receivables (Net) (Notes 1 and 5) | 738,264 | 246,442 | 444,794 | 38,030 |
| Due from Other Funds (Note 6) | 6,795 | 23,563 | 565 | - |
| Due from External Parties (Fiduciary Funds) (Note 6) | - | - | 3,501 | - |
| Interfund Receivable (Note 6) | - | - | - | - |
| Inventory (Note 1) | 37,065 | 40,724 | 1,360 | - |
| Prepaid Items (Note 1) | - | 1,235 | - | - |
| Other Assets (Notes 1 and 7) | 3,125 | 1,301 | 2,681 | - |
| Loans Receivable from Component Units (Notes 1 and 6) | - | - | - | 452,912 |
| Total Assets | \$ 1,500,196 | \$ 1,614,196 | \$ 657,735 | \$ 553,076 |
| Liabilities and Fund Balances | | | | |
| Accounts Payable (Notes 1 and 16) | \$ 187,998 | \$ 180,412 | \$ 103,248 | \$ 182 |
| Amounts Due to Other Governments | 226,163 | 53,848 | 120,908 | - |
| Due to Other Funds (Note 6) | 35,283 | 16,755 | 8,570 | - |
| Due to Component Units (Note 6) | - | - | - | - |
| Due to External Parties (Fiduciary Funds) (Note 6) | 217 | - | - | - |
| Interfund Payable (Note 6) | - | 6,000 | 7,670 | - |
| Deferred Revenue (Note 1) | 290,347 | 45,771 | 51,457 | 12,621 |
| Deferred Taxes (Note 1) | 168,087 | - | - | - |
| Obligations Under Securities Lending Program (Notes 1 and 4) | 116,629 | 59,514 | 1,822 | 5,814 |
| Other Liabilities (Notes 1 and 17) | 409,972 | 5 | 222,620 | - |
| Loans Payable to Component Units (Notes 1 and 6) | - | - | - | 161,640 |
| Long-Term Liabilities (Notes 1, 14, and 18) | 1,936 | 322 | 92 | - |
| Total Liabilities | 1,436,632 | 362,627 | 516,387 | 180,257 |
| Fund Balances Reserved for (Note 1): | | | | |
| Revenue Stabilization Fund | 247,481 | - | - | - |
| Inventory | 37,065 | 40,724 | 1,360 | - |
| Prepaid Items | - | 1,235 | - | - |
| Debt Service | - | - | - | - |
| Donations | - | - | - | - |
| Capital Acquisition | - | - | - | - |
| Fund Balances Unreserved, Reported in (Note 1): | | | | |
| General Funds | (220,982) | - | - | - |
| Special Revenue Funds | - | 1,209,610 | 139,988 | 372,819 |
| Capital Projects Funds | - | - | - | - |
| Permanent Funds | - | - | - | - |
| Total Fund Balances | 63,564 | 1,251,569 | 141,348 | 372,819 |
| Total Liabilities and Fund Balances | \$ 1,500,196 | \$ 1,614,196 | \$ 657,735 | \$ 553,076 |

The accompanying notes are an integral part of this financial statement.

| Nonmajor Governmental Funds | Total Governmental Funds |
|--|---|
| \$ 510,558 | \$ 1,552,592 |
| 159,498 | 1,400,310 |
| 65,023 | 1,532,553 |
| 8,508 | 39,431 |
| 350 | 3,851 |
| 45,803 | 45,803 |
| 6,585 | 85,734 |
| 1 | 1,236 |
| 619 | 7,726 |
| 11,667 | 464,579 |
| <u>\$ 808,612</u> | <u>\$ 5,133,815</u> |
| | |
| \$ 47,005 | \$ 518,845 |
| 507 | 401,426 |
| 4,301 | 64,909 |
| 360 | 360 |
| - | 217 |
| - | 13,670 |
| 16,700 | 416,896 |
| - | 168,087 |
| 14,179 | 197,958 |
| 3,875 | 636,472 |
| - | 161,640 |
| 229 | 2,579 |
| <u>87,156</u> | <u>2,583,059</u> |
| | |
| - | 247,481 |
| 6,585 | 85,734 |
| 1 | 1,236 |
| 85,772 | 85,772 |
| 8,091 | 8,091 |
| 500 | 500 |
| - | (220,982) |
| 482,279 | 2,204,696 |
| 113,288 | 113,288 |
| 24,940 | 24,940 |
| <u>721,456</u> | <u>2,550,756</u> |
| <u>\$ 808,612</u> | <u>\$ 5,133,815</u> |

Reconciliation of the Balance Sheet – Governmental Funds to the Government-wide Statement of Net Assets

June 30, 2003

(Dollars in Thousands)

| | |
|--|---------------------|
| Total fund balances - governmental funds (see Balance Sheet - Governmental Funds) | \$ 2,550,756 |
|--|---------------------|

When capital assets (land, buildings, equipment, improvements, CIP, and/or infrastructure) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the Statement of Net Assets includes those capital assets among the assets of the Commonwealth as a whole.

12,932,171

Long-term liabilities applicable to the Commonwealth's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the Statement of Net Assets.

| | |
|---------------------------|-------------|
| Pension Liability | (447,009) |
| Capital Lease | (249,098) |
| Installment Purchases | (16,932) |
| Compensated Absences | (295,329) |
| Uninsured Employer's Fund | (20,082) |
| Regional Jails | (18,252) |
| Bonds | (3,461,332) |
| Notes | (15,952) |
| Other Obligations | (54,415) |

Internal service funds are used by the Commonwealth to charge costs to individual funds. The assets and liabilities of internal service funds are included in governmental activities in the Statement of Net Assets.

(83,683)

Other long-term payables are not due and payable in the current period and, therefore, are not reported in the funds.

(48,396)

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.

341,318

Noncurrent amounts owed to special revenue funds from proprietary funds are not recorded in the fund statements due to the fact that revenue recognition criteria were not met. These amounts are reported in the Statement of Net Assets.

19,899

Net assets of governmental activities (see Government-wide Statement of Net Assets)

\$ 11,133,664



Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds

For the Fiscal Year Ended June 30, 2003

(Dollars in Thousands)

| | General | Special Revenue | | |
|--|---------------|-----------------------------|---------------|------------|
| | | Commonwealth Transportation | Federal Trust | Literary |
| Revenues | | | | |
| Taxes | \$ 10,434,082 | \$ 1,780,796 | \$ - | \$ - |
| Rights and Privileges | 63,762 | 436,244 | 67 | 445 |
| Institutional Revenue | 7,897 | - | - | - |
| Interest, Dividends, Rents, and Other Investment Income (Note 1) | 105,923 | 32,843 | 427 | 37,758 |
| Federal Grants and Contracts | - | 753,491 | 4,741,679 | - |
| Other (Note 19) | 356,601 | 61,239 | 74,839 | 150,886 |
| Total Revenues | 10,968,265 | 3,064,613 | 4,817,012 | 189,089 |
| Expenditures | | | | |
| Current: | | | | |
| General Government | 1,417,369 | 1,641 | 42,434 | 264 |
| Education | 5,443,136 | 2,195 | 520,503 | 252,720 |
| Transportation | 36 | 3,016,222 | 13,069 | - |
| Resources and Economic Development | 207,038 | 1,912 | 168,618 | - |
| Individual and Family Services | 2,752,640 | - | 3,874,535 | - |
| Administration of Justice | 1,863,144 | 5,445 | 53,250 | - |
| Capital Outlay | 18,620 | 12,698 | 20,306 | - |
| Debt Service: | | | | |
| Principal Retirement | - | - | - | - |
| Interest and Charges | - | - | - | - |
| Total Expenditures | 11,701,983 | 3,040,113 | 4,692,715 | 252,984 |
| Revenues Over (Under) Expenditures | (733,718) | 24,500 | 124,297 | (63,895) |
| Other Financing Sources (Uses) | | | | |
| Transfers In (Note 24) | 971,807 | 145,254 | 16,681 | 12,320 |
| Transfers Out (Note 24) | (385,290) | (646,912) | (14,916) | - |
| Proceeds from Notes Payable | - | 6,600 | - | - |
| Proceeds from Capital Leases | 60,010 | - | - | - |
| Bonds Issued | - | 608,089 | - | - |
| Premium on Bond Issuance | - | 50,322 | - | - |
| Refunding Bonds Issued | - | - | - | - |
| Payments to Refunded Bond Escrow Agents | - | - | - | - |
| Total Other Financing Sources (Uses) | 646,527 | 163,353 | 1,765 | 12,320 |
| Net Change in Fund Balances | (87,191) | 187,853 | 126,062 | (51,575) |
| Fund Balance, July 1, as restated (Note 28) | 150,755 | 1,063,716 | 15,286 | 424,394 |
| Fund Balance, June 30 | \$ 63,564 | \$ 1,251,569 | \$ 141,348 | \$ 372,819 |

The accompanying notes are an integral part of this financial statement.

| Nonmajor Governmental Funds | Total Governmental Funds |
|-----------------------------------|--------------------------------|
| \$ 136,573 | \$ 12,351,451 |
| 188,199 | 688,717 |
| 325,862 | 333,759 |
| 14,164 | 191,115 |
| 29,174 | 5,524,344 |
| 327,026 | 970,591 |
| 1,020,998 | 20,059,977 |
| | |
| 87,735 | 1,549,443 |
| 31,479 | 6,250,033 |
| 14,834 | 3,044,161 |
| 263,088 | 640,656 |
| 507,194 | 7,134,369 |
| 110,055 | 2,031,894 |
| 55,976 | 107,600 |
| 195,265 | 195,265 |
| 180,728 | 180,728 |
| 1,446,354 | 21,134,149 |
| (425,356) | (1,074,172) |
| | |
| 496,934 | 1,642,996 |
| (114,279) | (1,161,397) |
| - | 6,600 |
| - | 60,010 |
| 105,400 | 713,489 |
| 51,962 | 102,284 |
| 573,124 | 573,124 |
| (610,407) | (610,407) |
| 502,734 | 1,326,699 |
| 77,378 | 252,527 |
| 644,078 | 2,298,229 |
| \$ 721,456 | \$ 2,550,756 |

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds to the Government-wide Statement of Activities

For the Fiscal Year Ended June 30, 2003
(Dollars in Thousands)

| | |
|--|-------------------|
| Net Change in fund balances - total government funds (See Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds) | \$ 252,527 |
|--|-------------------|

| | |
|---|-----------|
| When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, fund balance decreases by the amount of financial resources expended, whereas net assets decreases by the amount of depreciation expense charged for the year. | 1,077,409 |
|---|-----------|

| | |
|--|---------|
| Note proceeds provide current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the Statement of Net Assets. | (6,600) |
|--|---------|

Bond proceeds provide current financial resources to governmental funds by issuing debt, which increases long-term bonded debt in the Statement of Activities. Repayment of bond principal is an expenditure in the Governmental Funds, but the repayment reduces long-term bonded debt in the Statement of Net Assets.

| | |
|---------------------------------------|-----------|
| Bond proceeds | (713,489) |
| Bond Premiums | (102,284) |
| Refunding Bonds Issued | (573,124) |
| Repayment of bond principal | 195,265 |
| Payment to refunded bond escrow agent | 610,407 |

Certain expenditures are reported in the funds; however, they either increase or decrease long-term liabilities reported on the Statement of Net Assets and have been eliminated from the Statement of Activities.

| | |
|---------------------------|-----------|
| Pension Liability | (148,100) |
| Capital Lease | 7,074 |
| Installment Purchases | 3,429 |
| Compensated Absences | 4,339 |
| Uninsured Employer's Fund | 202 |
| Regional Jails | 12,267 |
| Bonds | (4,269) |
| Notes | (741) |
| Interest | (7,478) |

| | |
|--|---------|
| Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. | 206,179 |
|--|---------|

| | |
|---|-------|
| Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. | 6,235 |
|---|-------|

| | |
|---|-------|
| Some expenses are eliminated from the Statement of Activities due to the availability of long-term financial resources. | 7,908 |
|---|-------|

| | |
|--|-----------|
| The net effect of various miscellaneous transactions involving capital assets is to decrease net assets (i.e., sales). | (247,206) |
|--|-----------|

| | |
|--|-----------------|
| The net revenue (expenses) of certain activities of internal service funds is reported within governmental activities. | <u>(31,717)</u> |
|--|-----------------|

| | |
|--|--------------------------|
| Change in net assets of governmental activities (See Government-wide Statement of Activities) | <u>\$ 548,233</u> |
|--|--------------------------|